

## AUTHORIZING THE SECRETARY OF THE INTERIOR TO REVISE A REPAYMENT CONTRACT WITH THE SAN ANGELO WATER SUPPLY CORP., SAN ANGELO PROJ- ECT, TEXAS

OCTOBER 12, 1971.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

Mr. JOHNSON of California, from the Committee on Interior and  
Insular Affairs, submitted the following

### REPORT

[To accompany H.R. 5500]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 5500) to authorize the Secretary of the Interior to revise a repayment contract with the San Angelo Water Supply Corp., San Angelo project, Texas, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

H.R. 5500 was introduced by Mr. Fisher.

#### PURPOSE OF THE LEGISLATION

The purpose of the bill is to authorize the Secretary of the Interior to enter into an amendatory repayment contract with the San Angelo Water Supply Corp., an instrumentality of the city of San Angelo, Tex., through which the term for repayment of the corporation's obligation to the United States would be extended from 40 years to 50 years. The bill also authorizes the Secretary to make an annual credit to the corporation for future costs incurred by it in operating and maintaining the San Angelo project on behalf of flood control and fish and wildlife.

#### BACKGROUND

On April 8, 1959, the San Angelo Water Supply Corp., entered into a contract with the Secretary of the Interior covering the repayment of the reimbursable costs of the San Angelo (reclamation) project in a period of 40 years and providing for operation and maintenance of the Twin Buttes Reservoir, the principal feature of the project. The

contract provides that the corporation has the right to withdraw from storage 29,000 acre-feet of water annually for use as a municipal supply for the city of San Angelo, Tex. Storage commenced in Twin Buttes Reservoir on December 1, 1963, and until the spring of 1971 never attained a level that would permit withdrawal by any means other than pumping from the dead storage pool. Actually, the reservoir has not contributed any increase in the water supply to the city as the inflow during the first 8 years of operation could have been impounded and diverted by the small existing Nasworthy Reservoir downstream from Twin Buttes Dam.

Despite the lack of any water supply from Twin Buttes Reservoir, the corporation commenced repayment of obligations under the contract and by August 1, 1971, had repaid \$562,032 on the principal and \$437,150 in interest.

During the period 1967 to the present time, the city has been obliged to make substantial investments in temporary measures to alleviate its water shortage. In addition to water rationing at various times, the city has spent about \$4 million in building a conveyance system from a non-Federal reservoir on the Colorado River from which it hoped to obtain 3,000 acre-feet annually. This source has been subject to the same general drought situation as the San Angelo project and the city has been required to seek other temporary measures while retiring the \$4 million in short-term bonds. Additional expense has been incurred in obtaining rights to the use of irrigation wells upstream from the reservoir for use during the summer of 1971, and investigations are underway on other measures for developing a long-term supply from ground water in the event the period of below normal runoff continues.

In partial relief from the adverse financial situation caused by these investments, two amendatory contracts have been extended to the corporation through which about \$338,000 of the corporation's obligation has been deferred and rescheduled for payment later in the 40-year contract term.

#### NEED FOR LEGISLATION

While the opportunity exists for the Secretary of the Interior to extend further relief to the corporation by additional amendatory contracts to defer principal payments, legislation is required to extend the period of years within which the total obligation must be repaid. Additional administrative deferrals without extension of the contract term will result in payments pyramiding in the later part of the 40-year term to intolerable levels. Legislation is also necessary if any adjustment in the corporation's total obligation is to be effected as provided by section 2 of H.R. 5500.

#### SECTION-BY-SECTION ANALYSIS

There follows below a section-by-section analysis of H.R. 5500, as reported by the committee:

##### *Section 1*

This section authorizes the Secretary of the Interior to amend the repayment contract between the San Angelo Water Supply Corp., San Angelo, Tex., and the United States to extend the period for repay-

ment of reimbursable cost of the San Angelo project from 40 years to 50 years. This is as a consequence of extraordinary expense incurred by the city in developing alternate sources for meeting its water needs pending the accumulation of water in the reservoir.

### *Section 2*

This section authorizes the Secretary of the Interior to further amend the contract to allow credit against the corporation's obligation for operation and maintenance costs properly allocable to the non-reimbursable purposes of flood control and fish and wildlife. This provision is general practice in the reclamation program and is probably authorized by the existing act but it must be specifically permitted by legislation since the existing contract provides to the contrary.

### *Section 3*

This section authorizes the use of any funds otherwise available to the Secretary of the Interior to carry out the purposes of this act. Such purposes will require only nominal funds as no studies or reports or other significant activities are involved.

### COST OF MEASURE

The enactment of H.R. 5500, will not result in any direct expenditure of Federal funds over and above the administrative cost of accomplishing the amendatory contract authorized by the measure. The committee estimate of such costs is less than \$1,000. Indirect costs will be incurred in the form of diminished revenue resulting from the credit for fish and wildlife and flood control operation and maintenance costs. The committee estimates such diminished revenues to be \$8,000 per year for 44 years, the remaining term of the amendatory contract; or a total of \$372,000.

### COMMITTEE RECOMMENDATION

The Committee on Interior and Insular Affairs, on the basis of a voice vote, recommends that H.R. 5500 be enacted.

### DEPARTMENTAL REPORT

The report of the Department of the Interior on H.R. 5500 is set forth in full below:

U.S. DEPARTMENT OF THE INTERIOR,  
OFFICE OF THE SECRETARY,  
Washington, D.C., September 8, 1971.

HON. WAYNE N. ASPINALL,  
*Chairman, Committee on Interior and Insular Affairs, House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This responds to your request for the views of this Department on H.R. 5500, a bill to authorize the Secretary of the Interior to revise a repayment contract with the San Angelo Water Supply Corp., San Angelo project, Tex., and for other purposes.

We cannot recommend enactment of the bill.

The bill: Section 1 of H.R. 5500, would authorize the Secretary of the Interior to revise the repayment contract of April 8, 1959, as amended, between the San Angelo Water Supply Corp., and the United States by extending the period authorized for repayment of reimbursable construction costs of the San Angelo Water Supply Corp., from 40 to 50 years. Section 2 would authorize annual credits against the corporation's repayment obligation to reflect operation and maintenance costs properly allocable to flood control and fish and wildlife benefits.

The San Angelo project: Twin Buttes Reservoir is the principal storage feature of the San Angelo project. The active capacity is 632,000 acre-feet, of which 177,800 acre-feet are active conservation storage and 454,400 acre-feet are flood control space. Operation of this project reservoir is coordinated to augment storage and regulation of water by the nonproject San Angelo and Nasworthy Reservoirs in order to furnish a total estimated firm yield of approximately 43,000 acre-feet annually.

The San Angelo Water Supply Corp. has a prior right to 29,000 acre-feet annually, and the rest of the available water, if any, is for irrigation of up to 10,000 acres of land within the Tom Green County Water Control and Improvement District No. 1.

Storage in Twin Buttes Reservoir began on December 1, 1962. At that time, San Angelo Reservoir held 58,290 acre-feet of water (about 15 percent of the total storage capacity). The San Angelo Reservoir was completely depleted in the spring of 1970. The greatest actual storage in Twin Buttes Reservoir since completion, except for that resulting from recent heavy rainfall, was 18,360 acre-feet on September 30, 1964, representing about 10 percent of its conservation capacity. Heavy August rainfalls have resulted in present storage of about 100,000 acre-feet of water, of which Twin Buttes holds about 83,000 acre-feet, San Angelo 6,400, and Nasworthy about 10,600 acre-feet.

Water shortage: The San Angelo area has experienced severe drought in recent years. The drought has plagued the Concho River Basin above San Angelo since 1961. The Twin Buttes Dam was closed in 1962, and until the unusually heavy August rainfalls no holdover water had been accumulated since completion of the San Angelo project. The runoff of the Concho River system above the reservoirs has been much lower during this drought than during the 7-year period of 1950-56 which was the most severe low-flow period on record at the time the project was designed. For example, the runoff at San Angelo Reservoir and Twin Buttes Reservoir during the 1962-68 drought was less than one-half of the runoff of the 1950-56 drought.

The city of San Angelo, using all available inflows, has been able to meet only minimum water requirements during the drought period and has no reserve for the future. The city has been pumping from dead storage in Twin Buttes Reservoir to meet part of its urgent water needs since 1967. To provide a standby supplemental water supply, the San Angelo Water Supply Corp. and the city negotiated with the Colorado River Municipal Water District for a minimum water supply of 3,000 acre-feet annually from the Upper Colorado River Authority's Robert Lee Reservoir on the Colorado River near Robert Lee, Tex. An investment of about \$4 million was made in pumps, pumping plant at the reservoir, and in a 29-mile pipeline from Robert Lee Reser-



voir to the city of San Angelo. These costs were financed through issuance of revenue bonds and will have to be repaid with interest over the next 17 years. The Robert Lee Reservoir has, however, also been affected by the drought and the city was able to obtain only a very small quantity of water from this source in 1970.

In view of prospects that all other existing supplies would be exhausted early in the summer of 1971, the city developed seven wells in the Christoval area some 25 miles south of San Angelo. Ten miles of temporary pipeline were installed to transport the water from the wells to points on the South Concho River where the streambed is wet. If water losses are too great in the stream channel, an additional 22 miles of pipeline will be required to convey the water to its municipal facilities to avoid the stream losses.

The seven wells and equipment in the Christoval area are estimated to cost approximately \$35,000 and the 10 miles of pipeline \$220,000. The wells are expected to yield about 8 million gallons per day for which the city will pay the landowners 5 cents per thousand gallons or \$400 per day. The agreement with the landowners will terminate at the end of 2 years and the city will either remove its equipment or sell it to the landowners. If the additional 22 miles of pipeline are required, the estimated cost is in the range of \$600,000 to \$800,000.

Investigations are also in progress for development of other permanent underground supplies. If the study shows that a feasible plan exists, the city will purchase water rights and prepare an engineering plan and specifications for future development. The estimated cost of such a program is about \$10 million to \$15 million.

Existing repayment arrangements: There are two repayment contracting entities for the San Angelo project. The San Angelo Water Supply Corp., supported by its contract with the city of San Angelo, is the contracting entity for municipal water and is the operating entity for project storage works. The repayment contract of April 28, 1959, as amended February 22, 1968, and July 23, 1971, provides for repayment of \$10,196,460 in 40 years. Of this amount, \$4,806,000 is for financial assistance to irrigation. Interest of 2.587 percent is also paid on the municipal and industrial investment. The Water Supply Act of 1958 applies to this contract and interest was therefore waived for 10 years on \$1,539,400 attributable to cost allocated to water storage capacity constructed to meet future requirements.

Repayments under the corporation's contract began in 1966 and extend through the year 2005. Payments due August 1, 1969, in the amount of \$219,900 (representing both principal and interest), were deferred and rescheduled for repayment in subsequent years of the 40-year repayment period as was the \$168,060 principal portion of the payment due August 1, 1971, amounting to \$248,000. As of August 1, 1971, a total of \$999,182 has been paid of which \$562,032 was principal.

The other repayment contracting entity for irrigation water is the Tom Green County Water Control and Improvement District No. 1. The contract of June 18, 1959, provides for repayment of \$4 million in 40 years after water becomes available and after the close of a 10-year development period. To date, no water has been delivered to the

improvement district. Project works were built to irrigate 10,000 acres of land.

Revised repayment arrangements: If the proposed legislation is enacted, the Bureau of Reclamation would be authorized, but not required, to amend the existing repayment contracts with the San Angelo Water Supply Corp., to reschedule remaining installments over a period of 44 years.

As provided in section 2 of the proposed legislation, the amendatory contract would provide for annual credits against the corporation's repayment obligation on account of operation and maintenance costs properly allocable to flood control and fish and wildlife benefits. An estimated 53.5 percent (about \$8,000 annually at the present time) of the operation and maintenance costs of the dam and reservoir are associated with these benefits and would be nonreimbursable.

Conclusion: The drought has brought about a water supply emergency for San Angelo with heavy past and future financial costs. A 50-year repayment period with operation and maintenance credits for flood control and fish and wildlife benefits is consistent with legislation for new projects authorized in recent years in accordance with the policy established under the Water Supply Act of 1958.

Notwithstanding the recent history of water shortage in the San Angelo area, however, the city and corporation do not appear to be in sufficiently serious financial condition to warrant Federal relief from their voluntarily assumed obligations. The San Angelo project was constructed on terms which were favorable to the city, a fact which makes it more inappropriate for special relief to be granted. At the present time, we believe administrative relief available under section 17(b) of the Reclamation Project Act of 1939, as amended (43 U.S.C. 485b-1(b)), will be adequate to deal with the San Angelo situation. That provision permits deferment of annual payments for rescheduling over subsequent years of the repayment contract period based on a finding that an annual payment probably cannot be paid when due without undue burden on water users. Based on these considerations, we are unable to recommend enactment of the bill.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

JAMES R. SMITH,  
*Assistant Secretary of the Interior.*

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